

From: Jake Stratmann jake@starboardyacht.com 
Subject: RE: Jeff Vrana Teresa_PBR_Master-MY Octopussy Shipyard Update List Rev Date TD 02_22_23 - Budget 1 25 23 (1)" and invoices for critical project items for funding consideration.
Date: March 1, 2023 at 1:29 PM
To: Steven IVANKOVICH sivankovic@icloud.com
Cc: Jeff Vrana Jeff@starboardyacht.com, Joe Seinitz jseinitz@yahoo.com, LMC Office lmcoffice@starboardyacht.com, Elvis Starboard Yacht Group PARTS DEPT Elvis@starboardyacht.com, Theresa Theresa@starboardyacht.com

Steve,

I've replied below to your questions.

I am still struggling to understand why the engine line item is \$1,825,000 + 200,000 vs \$1,000,000 per the original budget. Attached are 3 emails showing 1st Budget, MTU proposal, 2nd Budget with engine option. I've also pasted the row from the sheet below. Bottom line is that the triple Kamewa with Engine Rebuild plus upgrade requirements for safe operation of steering system and monitoring had costs know exceeding 3.5 million plus a potential of another 1.5 million of scope creep with unlimited risk and exposure due to lack of warranty and old equipment and major product delays dealing with Kongsberg. Based on our assessment this option would have taken longer and cost more to make the vessel reliable and the ROI at resale would have been min with old engines and no factory warranty.

Last year I was convinced that paying \$425,000 per new engine vs rebuilding the engines was the way to go and that we would sell the old engines in the range of \$350,000 - 500,000 for an overall net cost of about \$500,000 to repower. That made sense. \$2.5m for a repower does not make sense (I am assuming we won't sell the old engines as projected). SELL, SELL ENGINES NOW! Has and continues to be what SYG is supporting your team. Joe and I have had several conversations and many people discussed this line item. Our team has posted it and prepared the marketing material for the listings. I can put Paul on this as it needs someone who will take action and not just talk about it. Right now we have 2 options unless a buyer is aligned to the project. 1. Dyno and store at FDDA at owners cost with 1 year free storage cost approx. 10k per engine 2. Sent to strike marine for sale or part out. I will discuss with Paul today. As for the repower, it was the right decision for time and \$\$\$ as the rebuild potentially could have cost more vs less. Jeff has the numbers as we put it together including the rebuild, controls and monitoring and the cost was more, plus the engines would have had to be removed for the overhaul and dyno if you wanted a warranty worth anything.

Now the engine cost is over \$2m including removal etc. None of this was presented to me. There are two potential explanations: 1) You didn't know; or 2) You did know, but wanted to commit me. Truth is the Right answer is our 1st core value! We do not know the exact cost of materials and labor for the engine removal; however, we received a quote from Mendal and others around 260,000.00 which I believed is crazy. Having engineered and managed the removal of engines and Seakeepers for over 20 years my team and I have a plan to substantially reduce this expense by half or more. This engineering is in process and we are waiting on the funds to source all the materials to develop this plan forward and source the materials required to execute this job.

The Budget has gone from \$4m in September to now over \$6m. (The attached "budget" is flawed. It does not include painting the hull, total cost of LMC time estimated through July 1 - THE DATE THE VESSEL IS TO BE FINISHED, projected project management cost to the end of the project, replacing windows, addition of beach club, electronics, rebuilding bridge, plus a whole slew of items). Add the cost of interiors and we are up well over \$7m.

We began with this process in mind and reviewed with you; this simple process designed into our sheet "Total Projected Costs". Issue we have to date, is the continuous development and open ended addition of new items. EX. Crew, Luis Design just approved, windows, galley, Hydrogen, ect. I do not have enough information and clarity from you to put this together at this moment; however, it is coming soon. Missing information is received Bas Mulder Plans to build Luiz approved designs, all major equipment selection, interior mod scope, ect. And we will execute the very simple task of putting all product know lead times into a workflow and moving the actual cost of completed jobs, work in process, and budgets for scheduled and approved jobs to the projected total scope column. For me I need to feel this number captures 80% of the scope and at this time we are not there. Need the right information, numbers are easy for us both so no need to overcomplicate a budget and is what I built our sheet for and is coming. SYG makes decisions on our core values (Truth is the right answer, show you care, Give it your all, willing to learn, think forward) What we do is Use innovative technology to make vessels better than new for the ultimate boating experience.

I recall we discussed this when we met last January and have had many aligned conversations about who SYG is and Why we do what we do. This was our plan aligning with your ideas for Octopussy and my current task is putting a business plan together around the opportunities scaling Hydrogen refit markets as 2030 approaches. It was clear to me and our team on our last call that we align on this understanding that change is going to be increasingly in demand in this market sector. We want to share an opportunity to align "Partner" with Octopussy as a reward for your trust and commitments for the ROI as SYG sees major rewards for efforts and resources invested in this market over the next few years with very scalable model I'd like to discuss with you post getting on the same page with funds.

Again, this is renovation 101, and I come back to the statements above, either you don't know how to budget and manage a project of this scale and scope, or you do and are stringing me out. Both are a problem. I recall Joe's reaction to Rick Thomas saying "this is going to be a 10 million dollar project and I need 2 million sent to my account" SYG works on scale and has and is investing vertically integrating more resources to reduce costs of this project as our business is on Scale and efficiency of resources. Based on some quick

EXHIBIT

4

math I'm convinced I've saved you over 3 million dollars. Based on what I recall Rick trying to do maybe 4 million and he would have spent over 10M and only gone half the distance and in the wrong direction. This is our skill and what I bring to the table with our team. We make things happen and find ways to do so efficiently to reduce costs. Given this type of project with increasing scope initially SYG requested for you to provide us with guidelines for decision making of projects such as 1. Do you want refurb all systems and bring vessel to like new condition ready for 10 years of operation vs 2. Do critical systems only for safe operation 3 to 5 years. Option 2 was originally selected; however, SYG is not the firm who runs from owners wanting to make vessels better than new as this also is our purpose and passion.

I expect a revised and correct budget in the attached format by tomorrow which includes all line items, costs etc. (excluding interior) associated with the refurb

Frank is working with about 50 people across several companies currently at a cost of aprox 150k to 200k assessment of Octopussy for a proposal on the Hydrogen opportunity with a budget expected to come in by end of this week.

Also, there is an apparent formula error in the attached spreadsheet. When you manually add column "U" you get the total of 1,271,816.59 vs the sum total of 1,494,780.35. The same exercise on columns P and Q results in identical numbers for the sum total and manual total method. See attached.

I use filters and was rushing and see that some items were filtered which did not show the row but was included in the total. The same is occurring on all totals. If you go to the top and click on the drop-down arrows you can select all to show all data and select what you want show with the column filter. I can clean this up and it was my mistake and oversight.

it seems the - \$389,400.14 Octopussy payment delta was applied to the other vessels on the spreadsheet. Correct?

yes

BOATS	PAYMENTS APPLIED	PAYMENTS DUE
IMG 54	209,909.31	0.00
IMG 40 2020	62,826.06	14,079.41
IMG 40 2015	70,878.31	5,903.30
INTREPID	115,643.00	48,724.00
COBIA	70,210.20	
WHALER	126,046.87	
MISC UPGRADES PARTS	33,660.00	
Octopussy "See list above"	2,802,605.43	1,494,780.35
TOTALS	3,491,779.18	1,563,487.06

As you can imagine, Octopussy is consuming more than the original 100k credit we discussed on your account and funding for this type of project must maintain timely payments in order to not create conflict, issues and delays in our operations and ability to perform. Originally, it was on us when back mid Dec I delayed getting you the budget. Now 2.5 months later we continue to push 100% and have taken on the task of executing upgrades and work on the Whaler, Intrepid and 3 IMG vessels at a heavy cost while continuing with a dedicated team of 5 now 7 on Octopussy full time.

Will get the budget in a more clear order today for your review as per your requests plus separate out tabs.

Respectfully,

Jake Stratmann
CEO

